

TO: State Directors
Rural Development

ATTN: Rural Housing Program Directors,
Guaranteed Rural Housing Coordinators,
and Rural Development Managers

FROM: James C. Kearney *(Signed by James C. Kearney)*
Administrator
Rural Housing Service

SUBJECT: Guaranteed Rural Housing (GRH) Loan Program
Correction of Date of Obligation, Increase of Obligation Amount
for the Current or Prior Fiscal Year, and Decrease of Obligation Amount
for the Current or Prior Fiscal Year

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to instruct GRH staff to take corrective action with Lenders to minimize the need to change the date of obligation on a GRH Loan. Additionally, this AN provides guidance to GRH Field staff on correcting the date of obligation for a Guaranteed Loan, and to provide guidance on increasing or decreasing the amount of obligation for a GRH loan, including a loan obligated with prior Fiscal Year's (FY) funds.

COMPARISON WITH PREVIOUS AN:

This revises and replaces RD AN No. 3400 (1980-D), Guaranteed Rural Housing (GRH) Loan Program Correction of Date of Obligation and Increase of Obligation Amount on Form RD 1940-3, "Request for Obligation of Funds, Guaranteed Loan," dated May 20, 1998.

BACKGROUND:

From time to time, the need arises to change the date of a GRH obligation of funds because the Lender closed the GRH loan prior to the date of obligation or the obligation was accidentally deleted prior to the closing of the GRH loan. Additionally, a lender may have closed a loan for an amount higher than stated on the Conditional Commitment and higher than the amount obligated for the loan.

EXPIRATION DATE: June 30, 2001

FILING INSTRUCTIONS:
Preceding RD
Instruction 1980-D

IMPLEMENTATION RESPONSIBILITIES:

The need to change the date of obligation on a GRH loan due to the lender closing the loan prior to the date of obligation of the guarantee has become excessive. Efforts must be made by the GRH staff to minimize the need to change the date of obligation and to minimize the need to increase the obligation amount after the lender has closed the loan. Thus, State Directors will be responsible for:

1. Notifying lenders that loans are not to be closed prior to the issuance of the Conditional Commitment and obligation of the loan. Lenders should also be notified that loan amounts must not exceed the amount listed on the Conditional Commitment without Rural Development's prior written approval. State Directors are to keep records of all instances of lenders closing loans prior to the date of obligation and closing loans in excess of the Conditional Commitment. Lenders who continue to close loans prior to the date of obligation and/or in excess of the amount listed on the Conditional Commitment should be counseled further.
2. Should this continue, monitor all requests to change the date of obligation for all GRH loans closed by the Lender prior to the date of obligation, all requests to increase the obligation amount within the current FY, and all requests to increase the obligation amount with previous FY funds.

The field office must complete the following process for GRH loans closed by the Lender in an amount greater than was obligated through the GLS system and it is the current fiscal year:

1. De-obligate the entire loan, through the GLS Web system, by inserting zero (0) in the loan amount of the Obligation screen. Press the "Submit to PLAS" button. Next, select the radio button "Do Not Withdraw. Return application to 'Approved' status." (This initiates a full 1D process in PLAS).
2. Update the GRH Request for this borrower by increasing the Agency Approved Loan Amount on the application screen (This step can not be accomplished until the 1D process in step one has processed overnight).
3. Re-approve the application and re-submit the obligation request to PLAS.
4. Once the loan is obligated with the correct loan amount, print the corrected Obligation screen from the GLS Web system.

In some situations, increasing the amount of the obligation requires a date change. Obligations must be dated prior to the date the lender closed the loan. A date change requires coordination with the Finance Office. Send a copy of the corrected obligation screen and a written request to the Finance Office, Fiscal Control Branch, FC-360, ATTN: Team 3, or by fax to (314) 539-3041.

NOTE: If changing the date of an obligation or increasing the amount of the obligation with funds from a previous fiscal year, DO NOT update the obligation via the GLS Web system. All of these requests are to be submitted directly to the Finance Office, Fiscal Control Branch, FC-360, ATTN: Team 3, or by fax to (314) 539-3041. Each request should also include an Obligation screen printed off the GLS Web system with the correct figures written on the screen. However, if the loan was obligated in FY 99 or previous fiscal year, a Form RD 1940-3, "Request for Obligation of Funds, Guaranteed Loan," must be completed and submitted with your request to the Finance Office.

All requests to increase the obligation amount for a GRH loan with prior FY funds are subject to the availability of funds at the time of the request.

The Finance Office will make the required obligation date correction and change in obligation amount and will keep a log by State of all occurrences.

For loans requiring a portion or all of the loan to be de-obligated, the de-obligation can be accomplished using the GLS Web system providing the loan was obligated through the GLS Web system (All FY 2000 or greater loans). For loans Obligated in FY 1999 or prior years, the de-obligation must be processed through ADPS using the 1D transaction.

Questions pertaining to this AN can be directed to Dean Daetwyler of the Single Family Housing Guaranteed Loan Division at (202) 690-0514.